
**NORVELL TOWNSHIP
JACKSON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
JUNE 30, 2008**

**NORVELL TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

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MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

December 29, 2008

Township Board
Norvell Township
106 E. Commercial
Norvell, MI 49263

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Norvell, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Norvell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not included the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, and the Tax Collection Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be presented as major governmental funds and financial information about the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amounts by which this departure would affect the assets, fund balances, liabilities, net assets, revenues, and expenses of the governmental activities and the omitted major funds are not reasonably determinable. Accounting principles generally accepted in the United States of America require the Tax Collection Fund, an agency fund, to be presented as a fiduciary fund, thus increasing assets and liabilities of the fiduciary funds. The amount by which this departure would affect the assets and liabilities of the fiduciary funds is not reasonably determinable.

In our opinion, because of the omission of the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Wamplers Lake Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund of the Township of Norvell, Michigan, as of June 30, 2008, or the related changes in financial position for the year then ended.

Township Board
Norvell Township
December 29, 2008
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In addition, in our opinion, except for the effects of not including financial information for the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund as part of the governmental activities, as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Township of Norvell, Michigan as of June 30, 2008, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

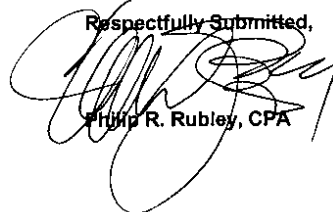
Further, in our opinion, because of the omission of the Tax Collection Fund as described above, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the Township of Norvell, Michigan as of June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Fire Fund, and the Police Fund of the Township of Norvell, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Norvell, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined it necessary to supplement, although not required to be a part of, the financial statements.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

NORVELL TOWNSHIP
Government-wide Statement of Net Assets
June 30, 2008

| | Governmental Activities |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and Cash Equivalents | \$379,293 |
| Receivables | 85,351 |
| Prepaid Expenses | <u>6,077</u> |
| Total Current Assets | <u>470,721</u> |
| Non-Current Assets: | |
| Capital Assets, Not Being Depreciated - Land | 5,261 |
| Capital Assets, Net of Accumulated Depreciation | <u>165,327</u> |
| Total Non-Current Assets | <u>170,588</u> |
| Total Assets | <u>641,309</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Payables | 3,661 |
| Due to Other Funds | 4,457 |
| Escrow Deposits | 20,412 |
| Notes Payable | <u>303</u> |
| Total Current Liabilities | <u>28,833</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, Net of Related Debt | 170,285 |
| Restricted for Public Safety | 190,419 |
| Unrestricted | <u>251,772</u> |
| Total Net Assets | <u>\$612,476</u> |

The notes to financial statements are an integral part of this statement.

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NORVELL TOWNSHIP
Government-wide Statement of Activities
For The Year Ended June 30, 2008

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges For Services</u> | <u>Operating Grants And Contributions</u> | <u>Capital Grants And Contributions</u> | <u>Net (Expenses) Revenues</u> |
|--|-------------------------|---------------------------------|---|---|--|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | |
| General Government | \$329,222 | \$ 54,011 | \$ --- | \$ --- | \$ (275,211) |
| Public Safety | 241,802 | 55,377 | 585 | --- | (185,840) |
| Public Works | 69,337 | 17,776 | --- | --- | (51,561) |
| Community and Economic Development | 21,283 | 2,225 | --- | --- | (19,058) |
| Recreation and Cultural | 3,519 | --- | --- | --- | (3,519) |
| Interest on Long-Term Debt | <u>1,348</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>(1,348)</u> |
| Total Governmental Activities | <u>\$666,511</u> | <u>\$129,389</u> | <u>\$ 585</u> | <u>\$ ---</u> | <u>\$ (536,537)</u> |
| <u>GENERAL REVENUES:</u> | | | | | |
| Property Taxes | | | | | 331,083 |
| State Shared Revenue | | | | | 206,299 |
| Franchise Fees | | | | | 12,029 |
| Interest Income | | | | | <u>8,665</u> |
| Total General Revenues | | | | | <u>558,076</u> |
| Change in Net Assets | | | | | <u>21,539</u> |
| Net Assets – Beginning of Year | | | | | <u>590,937</u> |
| Net Assets – End of Year | | | | | <u>\$ 612,476</u> |

NORVELL TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2008

| | <u>MAJOR FUNDS</u> | | | Total |
|---|---------------------------|-------------------------|------------------------|----------------------------|
| | <u>General</u> | <u>Fire</u> | <u>Police</u> | <u>Governmental</u> |
| | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> | <u>Funds</u> |
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$171,817 | \$119,006 | \$67,152 | \$357,975 |
| Receivables | 83,984 | --- | 1,367 | 85,351 |
| Prepaid Expenses | <u>2,209</u> | <u>---</u> | <u>3,322</u> | <u>5,531</u> |
| Total Assets | <u>\$258,010</u> | <u>\$119,006</u> | <u>\$71,841</u> | <u>\$448,857</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Payables | \$ 2,393 | \$ --- | \$ 428 | \$ 2,821 |
| Due to Other Funds | 4,457 | --- | --- | 4,457 |
| Escrows Payable | <u>20,412</u> | <u>---</u> | <u>---</u> | <u>20,412</u> |
| Total Liabilities | <u>27,262</u> | <u>---</u> | <u>428</u> | <u>27,690</u> |
| <u>FUND BALANCES</u> | | | | |
| Unreserved | <u>230,748</u> | <u>119,006</u> | <u>71,413</u> | <u>421,167</u> |
| Total Fund Balances | <u>230,748</u> | <u>119,006</u> | <u>71,413</u> | <u>421,167</u> |
| Total Liabilities and | | | | |
| Fund Balances | <u>\$258,010</u> | <u>\$119,006</u> | <u>\$71,841</u> | <u>\$448,857</u> |

The notes to financial statements are an integral part of this statement.

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NORVELL TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended June 30, 2008

| | |
|---|------------------|
| Fund Balances – Total Governmental Funds | \$421,167 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| ADD: Capital Assets | 293,873 |
| DEDUCT: Accumulated Depreciation | (123,285) |
| ADD: Assets of Building Inspections Fund | 21,024 |
| DEDUCT: Loans are treated as income in the fund statement, but are liabilities in the government-wide. | <u>(303)</u> |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$612,476</u> |

NORVELL TOWNSHIP
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
For The Year Ended June 30, 2008

| | MAJOR FUNDS | | | Total Governmental Funds |
|---|-------------------------|----------------------|-------------------------|---|
| | General Fund | Fire Fund | Police Funds | |
| <u>REVENUES</u> | | | | |
| Property Taxes/Assessments | \$128,159 | \$ 95,236 | \$107,688 | \$331,083 |
| Licenses and Permits | 2,225 | --- | --- | 2,225 |
| Intergovernmental Revenues | 206,299 | --- | 585 | 206,884 |
| Charges for Services | 61,646 | --- | --- | 61,646 |
| Fines and Forfeitures | --- | --- | 12,693 | 12,693 |
| Interest and Rentals | 6,972 | 1,693 | --- | 8,665 |
| Other | 22,170 | --- | 3,475 | 25,645 |
| Total Revenues | 427,471 | 96,929 | 124,441 | 648,841 |
| <u>EXPENDITURES</u> | | | | |
| General Government | 319,227 | --- | --- | 319,227 |
| Public Safety | 4,069 | 86,030 | 143,061 | 233,160 |
| Public Works | 33,210 | --- | --- | 33,210 |
| Community and Economic Development | 21,283 | --- | --- | 21,283 |
| Recreation and Cultural | 3,519 | --- | --- | 3,519 |
| Capital Outlay | 3,744 | --- | 1,042 | 4,786 |
| Debt Service: | | | | |
| Principal | 1,721 | --- | 6,651 | 8,372 |
| Interest | 116 | --- | 1,232 | 1,348 |
| Total Expenditures | 386,889 | 86,030 | 151,986 | 624,905 |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u> | 40,582 | 10,899 | (27,545) | 23,936 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | --- | --- | 52,600 | 52,600 |
| Transfers (Out) | (52,600) | --- | --- | (52,600) |
| Total Other Sources (Uses) | (52,600) | --- | 52,600 | --- |
| NET CHANGES (DECREASE) IN FUND BALANCES | (12,018) | 10,899 | 25,055 | 23,936 |
| FUND BALANCES – BEGINNING OF YEAR | 242,766 | 108,107 | 46,358 | 397,231 |
| FUND BALANCES – END OF YEAR | \$230,748 | \$119,006 | \$ 71,413 | \$421,167 |

The notes to financial statements are an integral part of this statement.

NORVELL TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2008

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balances - total governmental funds. \$ 23,936

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

ADD: Capital Asset Acquisitions 4,786

DEDUCT: Provision For Depreciation (18,637)

Long-Term Debt:

ADD: Principal Payments 8,372

Net revenues of the Building Inspections Fund 3,082

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 21,539**

NORVELL TOWNSHIP
Proprietary Fund Statement of Net Assets
June 30, 2008

| | |
|--|---------------------------|
| | <u>Building</u> |
| | <u>Inspections</u> |
| <u>ASSETS</u> | |
| Cash | \$ 21,318 |
| Prepaid Expense | <u>546</u> |
| Total Assets | <u>21,864</u> |
| <u>LIABILITIES</u> | |
| Accounts Payable | <u>840</u> |
| Total Liabilities | <u>840</u> |
| <u>NET ASSETS</u> | 21,024 |
| Amounts reported for business-type activities in the government-wide statement of net assets (Page 5) are different because: | |
| Assets and liabilities of the Building Inspections Fund have been combined with those of governmental activities. | <u>(21,024)</u> |
| Net Assets of Business-Type Activities | <u>\$ ---</u> |

NORVELL TOWNSHIP
Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets
For The Year Ended June 30, 2008

| | |
|--|---------------------------|
| | <u>Building</u> |
| | <u>Inspections</u> |
| <u>OPERATING REVENUES</u> | |
| Charges for Services - Licenses and Permits | <u>\$39,209</u> |
| Total Operating Revenues | <u>39,209</u> |
| <u>OPERATING EXPENSES</u> | |
| Salaries and Fringe Benefits | 30,969 |
| Contracted Services | 3,900 |
| Miscellaneous | <u>1,258</u> |
| Total Operating Expenses | <u>36,127</u> |
| CHANGE IN NET ASSETS | 3,082 |
| NET ASSETS - BEGINNING OF YEAR | <u>17,942</u> |
| NET ASSETS - END OF YEAR | <u>\$21,024</u> |
| <u>CHANGE IN NET ASSETS</u> | 3,082 |
| Amounts reported for business-type activities in the government-wide statement of activities (Page 6) are different because: | |
| Revenues and expenses of the Building Inspections Fund have been combined with those of the governmental activities. | |
| | <u>(3,082)</u> |
| Change in Net Assets of Business-Type Activities | <u>\$ -</u> |

NORVELL TOWNSHIP
Proprietary Fund Statement of Cash Flows
For The Year Ended June 30, 2008

| | <u>Building Inspections</u> |
|---|--|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Receipts from Customers and Users | \$ 39,209 |
| Payments for Salaries and Fringe Benefits | (30,969) |
| Payments to Vendors and Suppliers | <u>(4,875)</u> |
| Net Cash Provided by Operating Activities | <u>3,365</u> |
| NET INCREASE IN CASH | <u>3,365</u> |
| CASH – BEINNING OF YEAR | <u>17,953</u> |
| CASH – END OF YEAR | <u>\$ 21,318</u> |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | |
| Operating Income | \$ 3,082 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Increase in Accounts Payable | 300 |
| Increase in Prepaid Expense | <u>(17)</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 3,365</u></u> |

NORVELL TOWNSHIP
Agency Fund Statement of Fiduciary Net Assets
For The Year Ended June 30, 2008

ASSETS

| | |
|------|----------------|
| Cash | <u>\$3,454</u> |
|------|----------------|

LIABILITIES

| | |
|---------------|----------------|
| Due to Others | <u>\$3,454</u> |
|---------------|----------------|

NORVELL TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Except as follows the accounting policies of the Township of Norvell, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The accompanying financial statements do not include the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, and the Tax Collection Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be presented as major governmental funds and financial information about the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, fund balances, net assets, revenues, and expenses of the governmental activities and the omitted major funds is not reasonably determinable. Accounting principles generally accepted in the United States of America require the Tax Collection Fund, an agency fund, to be presented as a fiduciary fund, thus increasing assets and liabilities of the fiduciary funds. The amount by which this departure would affect the assets and liabilities of the fiduciary funds is not reasonably determinable.

The following is a summary of the more significant policies.

A. Reporting Entity

The accompanying financial statements present activities of the Township. There are no component units, legally separate entities for which the Township is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NORVELL TOWNSHIP
Notes to Financial Statements
June 30, 2008

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund - is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund - accounts for the financial resources used for the operational costs of the Township's fire protection function. Revenues are primarily derived from property taxes.

The Police Fund - accounts for the financial resources used for the operational costs of the Township's police department. Revenues are primarily derived from property taxes.

The Township reports a single proprietary fund, the Building Inspections Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports two fiduciary funds, the Trust and Agency Fund and the Payroll Withholding Fund, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

NORVELL TOWNSHIP
Notes to Financial Statements
June 30, 2008

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits** – Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
2. **Receivables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."
3. **Capital Assets** – Capital assets, which include property, equipment, and infrastructure assets (E.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|--------------|
| Buildings and improvements | 40 years |
| Equipment | 3 - 10 years |
| Vehicles | 5 years |
| Shared road Costs | 20 years |
4. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
5. **Property Tax Revenue Recognition** – Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NORVELL TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information- Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of Expenditures Over Appropriations – The following schedule sets forth the significant budget variances:

| <u>Fund</u> | <u>Function</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------|----------------------|---------------|---------------|-----------------|
| General | Administration | \$60,462 | \$67,122 | \$(6,660) |
| General | Trustees | 1,320 | 1,407 | (87) |
| General | Capital Outlay | 2,200 | 3,744 | (1,544) |
| General | Public Works Cleanup | --- | 110 | (110) |

NOTE 3 – CASH:

The Township's deposits were reported in the basic financial statements as follows:

| | <u>Governmental Activities</u> | <u>Fiduciary</u> | <u>Total</u> |
|------|------------------------------------|------------------|--------------|
| Cash | \$379,293 | \$3,454 | \$382,747 |

Deposits – Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. As of June 30, 2008, \$166,234 of the Township's bank balances of \$382,747 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 – RECEIVABLES:

Receivables as of year end for the Township's funds are as follows (all are due within one year):

| <u>Fund</u> | <u>Accounts</u> | <u>Inter-Governmental</u> | <u>Total</u> |
|-------------|-----------------|---------------------------|--------------|
| General | \$17,571 | \$66,413 | \$83,984 |
| Police | 1,367 | --- | 1,367 |

NORVELL TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated - Land | \$ 5,261 | \$ --- | \$ --- | \$ 5,261 |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 175,065 | --- | --- | 175,065 |
| Equipment | 108,761 | 4,786 | --- | 113,547 |
| Sub Total | 283,826 | 4,786 | --- | 288,612 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (43,675) | (7,404) | --- | (51,079) |
| Equipment | (60,973) | (11,233) | --- | (72,206) |
| Sub Total | (104,648) | (18,637) | --- | (123,285) |
| Total Capital Assets Being Depreciated, Net | 179,178 | (13,851) | --- | 165,327 |
| Governmental Activities Capital Assets, Net | \$ 184,439 | \$ (13,851) | \$ --- | \$ 170,588 |

Depreciation expense was charged to functions of the Township as follows:

| | |
|--|-----------------|
| Governmental Activities: | |
| General Government | \$ 9,995 |
| Public Safety | 8,642 |
| Total Governmental Activities | \$18,637 |

NOTE 6 – PAYABLES:

Payables as of year end of the Township's funds, are as follows:

| <u>Fund</u> | <u>Accounts</u> |
|--|-----------------|
| Governmental: | |
| General | \$2,393 |
| Police | 428 |
| | <u>\$2,821</u> |
| Proprietary: Building Inspections | \$ 840 |

NORVELL TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 7 – LONG-TERM LIABILITIES:

At June 30, 2008, long-term liabilities are comprised of the following individual issues:

\$4,783 installment loan, AT&T Capital Service - payable in monthly installments of \$153, including interest at 9.56%; final payment due August 2008. \$ 303

Total Governmental Activities
Long-Term Liabilities \$ 303

Long-term liability activity for the year ended June 30, 2008, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|----------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Governmental | | | | | |
| Activities: | | | | | |
| AT&T Capital Service | \$2,024 | \$ --- | \$(1,721) | \$ 303 | \$ 303 |
| Ford Motor Credit | <u>6,651</u> | <u>---</u> | <u>(6,651)</u> | <u>---</u> | <u>---</u> |
| Total | <u>\$8,675</u> | <u>\$ ---</u> | <u>\$(8,372)</u> | <u>\$ 303</u> | <u>\$ 303</u> |

At June 30, 2008, debt service requirements were as follows:

| <u>Year Ended June 30</u> | <u>Governmental Activities</u> | |
|-------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | <u>\$ 303</u> | <u>\$ 3</u> |
| Totals | <u>\$ 303</u> | <u>\$ 3</u> |

All debt is secured by the full faith and credit of the Township.

NORVELL TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 8 – INTERFUND BALANCES AND TRANSFERS:

At June 30, 2008, the General Fund held special assessment collections of \$4,000 on behalf of the Vineyard Lake Sewer Debt Service Fund. As the Vineyard Lake Sewer District Debt Service Fund has been excluded from these financial statements, the statement of net assets continues to report this liability.

The General Fund transferred \$52,600 to the Police Fund to cover operations.

NOTE 9 – RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 – DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 12% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$13,709 for the year ended June 30, 2008.

NORVELL TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------------|----------------------------|---------------------------|----------------|---|
| <u>REVENUES</u> | | | | |
| Property Taxes/Assessments | \$122,639 | \$122,639 | \$128,159 | \$ 5,520 |
| Licenses and Permits | 4,600 | 4,600 | 2,225 | (2,375) |
| Intergovernmental Revenues | 200,000 | 200,000 | 203,020 | 3,020 |
| Charges for Services | 55,700 | 55,700 | 61,646 | 5,946 |
| Interest and Rentals | 5,250 | 5,250 | 6,972 | 1,722 |
| Metro Act Funds | 3,245 | 3,245 | 3,279 | 34 |
| Franchise Fee | 7,200 | 7,200 | 12,029 | 4,829 |
| Other | 3,100 | 3,100 | 10,141 | 7,041 |
| Total Revenues | <u>401,734</u> | <u>401,734</u> | <u>427,471</u> | <u>25,737</u> |
| <u>GENERAL GOVERNMENT</u> | | | | |
| Township Board | 11,450 | 12,525 | 12,498 | 27 |
| Trustees | 1,320 | 1,320 | 1,407 | (87) |
| Supervisor | 20,932 | 18,417 | 16,592 | 1,825 |
| Elections | 16,370 | 14,115 | 12,810 | 1,305 |
| Assessor | 33,935 | 27,905 | 27,637 | 268 |
| Clerk | 20,337 | 19,187 | 18,996 | 191 |
| Board of Review | 3,070 | 3,410 | 3,327 | 83 |
| Treasurer | 21,770 | 21,090 | 20,589 | 501 |
| Hall and Grounds | 21,650 | 17,350 | 15,641 | 1,709 |
| Cemetery | 22,095 | 19,445 | 17,264 | 2,181 |
| General Administration | 59,713 | 60,462 | 67,122 | (6,660) |
| Legal and Accounting | 37,250 | 109,900 | 105,344 | 4,556 |
| Total General Government | <u>269,892</u> | <u>325,126</u> | <u>319,227</u> | <u>5,899</u> |
| <u>PUBLIC WORKS</u> | | | | |
| Road and Maintenance | 12,245 | 10,245 | 7,828 | 2,417 |
| Street Lights | 10,770 | 12,420 | 11,472 | 948 |
| Weed Control | 13,800 | 13,800 | 13,800 | --- |
| Clean-up | 2,050 | --- | 110 | (110) |
| Total Public Works | <u>38,865</u> | <u>36,465</u> | <u>33,210</u> | <u>3,255</u> |
| <u>PUBLIC SAFETY</u> | | | | |
| Fire Well Hydrants | 4,622 | 4,482 | 4,069 | 413 |
| Total Public Safety | <u>4,622</u> | <u>4,482</u> | <u>4,069</u> | <u>413</u> |

The notes to financial statements are an integral part of this statement.

NORVELL TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|---------------------------|------------------|---|
| <u>EXPENDITURES (Continued)</u> | | | | |
| Community and Economic Development - Planning and Zoning | <u>31,440</u> | <u>26,230</u> | <u>21,283</u> | <u>4,947</u> |
| Recreation and Cultural - Parks and Recreation | <u>6,300</u> | <u>3,780</u> | <u>3,369</u> | <u>411</u> |
| Community Promotion | <u>2,000</u> | <u>200</u> | <u>150</u> | <u>50</u> |
| Capital Outlay | <u>500</u> | <u>2,200</u> | <u>3,744</u> | <u>(1,544)</u> |
| Debt Service - Principal | <u>1,721</u> | <u>1,721</u> | <u>1,721</u> | <u>---</u> |
| Debt Service - Interest | <u>116</u> | <u>116</u> | <u>116</u> | <u>---</u> |
| Total Expenditures | <u>355,456</u> | <u>400,320</u> | <u>386,889</u> | <u>13,431</u> |
| <u>EXCESS OF REVENUES OVER EXPENDITURES</u> | <u>46,278</u> | <u>1,414</u> | <u>40,582</u> | <u>39,168</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfer Out - Police Fund | <u>(60,000)</u> | <u>(60,000)</u> | <u>(52,600)</u> | <u>7,400</u> |
| Total Other Financing Uses | <u>(60,000)</u> | <u>(60,000)</u> | <u>(52,600)</u> | <u>7,400</u> |
| NET CHANGES IN FUND BALANCES | <u>(13,722)</u> | <u>(58,586)</u> | <u>(12,018)</u> | <u>46,568</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>161,112</u> | <u>160,062</u> | <u>242,766</u> | <u>82,704</u> |
| FUND BALANCES - END OF YEAR | <u>\$147,390</u> | <u>\$101,476</u> | <u>\$230,748</u> | <u>\$129,272</u> |

The notes to financial statements are an integral part of this statement.

NORVELL TOWNSHIP
Budgetary Comparison Schedule
Fire Fund
For The Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|---------------------------|------------------|---|
| <u>REVENUES</u> | | | | |
| Property Taxes | \$ 90,255 | \$ 90,255 | \$ 95,236 | \$ 4,981 |
| Interest Income | 500 | 500 | 1,693 | 1,193 |
| Total Revenues | <u>90,755</u> | <u>90,755</u> | <u>96,929</u> | <u>6,174</u> |
| <u>EXPENDITURES</u> | | | | |
| Public Safety - Fire Protection | <u>146,925</u> | <u>146,925</u> | <u>86,030</u> | <u>60,895</u> |
| <u>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</u> | <u>(56,170)</u> | <u>(56,170)</u> | <u>10,899</u> | <u>67,069</u> |
| FUND BALANCES – BEGINNING OF YEAR | <u>46,884</u> | <u>46,884</u> | <u>108,107</u> | <u>61,223</u> |
| FUND BALANCES – END OF YEAR | <u>\$ (9,286)</u> | <u>\$ (9,286)</u> | <u>\$119,006</u> | <u>\$128,292</u> |

The notes to financial statements are an integral part of this statement.

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NORVELL TOWNSHIP
Budgetary Comparison Schedule
Police Fund
For The Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|---------------------------|------------------|---|
| <u>REVENUES</u> | | | | |
| Property Taxes | \$102,026 | \$102,026 | \$107,688 | \$ 5,662 |
| Intergovernment Revenues | 600 | 600 | 585 | (15) |
| Fines and Forfeitures | 8,100 | 8,100 | 12,693 | 4,593 |
| Grants | 1,000 | 1,000 | 945 | (55) |
| Donations | 2,400 | 2,400 | 2,220 | (180) |
| Other | 600 | 600 | 310 | (290) |
| Total Revenues | <u>114,726</u> | <u>114,726</u> | <u>124,441</u> | <u>9,715</u> |
| <u>EXPENDITURES</u> | | | | |
| Public Safety - | | | | |
| Police Protection | 164,127 | 156,637 | 143,061 | 13,576 |
| Capital Outlay | 1,000 | 1,100 | 1,042 | 58 |
| Debt Service | 8,000 | 8,000 | 7,883 | 117 |
| Total Expenditures | <u>173,127</u> | <u>165,737</u> | <u>151,986</u> | <u>13,751</u> |
| <u>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</u> | <u>(58,401)</u> | <u>(51,011)</u> | <u>(27,545)</u> | <u>23,466</u> |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Transfer In - General Fund | 60,000 | 60,000 | 52,600 | (7,400) |
| Total Other Financing Sources | <u>60,000</u> | <u>60,000</u> | <u>52,600</u> | <u>(7,400)</u> |
| NET CHANGES IN FUND BALANCES | <u>1,599</u> | <u>8,989</u> | <u>25,055</u> | <u>16,066</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>24,248</u> | <u>24,248</u> | <u>46,358</u> | <u>22,110</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 25,847</u> | <u>\$ 33,237</u> | <u>\$ 71,413</u> | <u>\$38,176</u> |

The notes to financial statements are an integral part of this statement.

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PHILIP R. RUBLEY

— *Certified Public Accountant* —

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

December 29, 2008

**Township Board
Norvell Township
106 E. Commercial
Norvell, MI 49263**

We have examined the financial statements of the Township of Norvell, Michigan dated June 30, 2008. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended June 30, 2008, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Statement on Auditing Standards Pronouncement 112 requires us as auditors to communicate what we determine to be significant deficiencies and material weaknesses to management and those charged with governance in regards to internal control matters.

A significant deficiency is a control deficiency or combination of control deficiencies that creates the remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected on a timely basis by employees in the normal course of business.

Based on this criteria the following comments are in this category:

1. **SEGREGATION OF DUTIES**

Because of the size and number of personal segregation of duties is a significant deficiency. These means at the basic level, no single individual should have control over two or more phases of a transaction or operation in the accounting function.

We feel however that because of managements oversight, that this is not a material weakness in the control system.

2. **FINANCIAL STATEMENTS**

Under Statement on Auditing Standards 112, we as auditors must determine whether management and accounting personnel are capable of writing their financial statements in compliance with GASB 34. At this time with limited personnel and resources we feel this is not obtainable.

OTHER MATTERS FOR CONSIDERATION

These comments are not significant deficiencies but are suggestions to improve your existing accounting and control systems.

1. **DEPOSIT POLICY**

Consider establishing a policy to deposit funds in more than one bank to obtain additional FDIC insurance and reduce your custodial risk.

2. **FIXED ASSETS**

Maintain or continue to maintain any deletions of assets or purchases of assets subject to capitalization (over \$1,000.00).

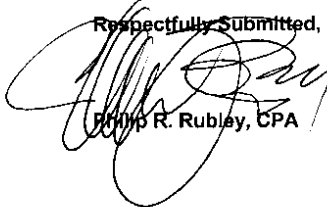
3. **ACCOUNTING SYSTEM**

The board should strive to obtain proper accounting for the Wamplers Lake Sewer Debt Fund, the Vineyard Lake Sewer Debt Service Fund and the Tax Collection Fund, to be able to fully present the financial records in accordance with generally accepted accounting principles. This should be obtainable after the forensic audit and settlement with the County is made.

Norvell Township
December 29, 2008
Page 3

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated June 30, 2008, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,

Philip R. Rubley, CPA

PRR/cab